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**GSU Economic Forecasting Project Newsletter**

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Monthly Projections for February

## AN INFLATION CRISIS?

January's estimates of price changes came as a complete shock to all market participants. Not only was the magnitude of the increases large, a 1.6% gain in the producers' price index on finished goods and a 1.4% increase for the CPI, but the increases were remarkably widespread throughout the industrial sector. Agricultural prices declined even as this overall price explosion occurred. Immediately, the Federal Reserve responded by increasing the discount rate and increasing the allowable trading range on federal funds. Credit markets responded with a continuation of one of the most castastrophic declines in values ever recorded. By the time that rumors of credit controls led to a mild market recovery, bonds had lost nearly $0.5 trillion in market value. The economic impact of this capital loss is not so great as when such a loss occurs in equities, because many holders of long-term financial instruments will exercise the option of maintaining their position until maturity. Nevertheless, the heightened risk of investing in fixed income instruments is adding to the interest rates demanded by lenders in excess of any inflationary premium that also is required.

The enormous increase in inflationary pressures during January raises two questions: (1) Why wasn't it anticipated? (2) Does it indicate an uncontrollable situation?

One reason that the inflationary pressures were not anticipated was caused by the shift in relative importance of price changes that occurs every January. For example, gasoline price changes received a 10.2% importance weighting for consumer non-food finished goods in the 1979 index. Because gasoline shipments have increased in dollar value relative to all shipments, their importance has been enhanced to 14.0% in 1980. The largest percentage changes in relative importance occurred in the precious metals. Their importance is very small, but the magnitude of their price increases in January were unusually large. As a result of weighting changes, estimates of changes in industrial prices were understated by almost 0.7 percentage points. The implication of this change was not that January's price changes were biased upward. Rather, as the importance of shipments was changing throughout the year but adjustments were made only at year-end, a downward bias in inflationary pressures was introduced through much of the second part of 1979. In other words,

industrial inflation was accelerating but the technical changes in the price indices were insufficient to register that condition. In 1980, we shall take greater measures to analyze whether price changes that have been dramatic over the previous 12 months are also accelerating their rate of change. If this occurs, the relative importance of these components may again be increasing.

Of greater importance than the technical changes in the index was the dramatic increase in prices that could not be anticipated by traditional analysis of cross price elasticities or of underlying cost pressures. Subtantial portions of the industrial price index registered price changes well in excess of those that normally occur relative to our well developed weighting schemes. This strongly suggests that pricing decisions no longer are being predicated upon current cost conditions. Either demand pressures have sharply intensified, as in the case of capital equipment, price setters are anticipating sharply accelerated cost pressures but do not wish to adjust their pricing catalogs every month, or prices are being increased in anticipation of government interference. Moreover, commodities traded worldwide clearly are leading the upward pressure upon prices. The fact that sharp acceleration of domestic inflation has had little impact upon the value of the dollar (to a large extent the dollar actually has improved in relative value) strongly suggests that a portion of our inflation is being imported as a result of an explosion in international liquidity. This latter effect could prove to be a one-time upward movement of international prices.

Nevertheless, the shift from cost-induced inflation to anticipatory price changes adds a new dimension to the short-term inflationary process. Also, the collapse of bond values and the sharp acceleration in the price of capital equipment indicate that double-digit inflationary pressures soon could be embedded in the cost structure of American industries. Once substantial borrowings have occurred at 14% or higher rates of interest, attempts to lower inflation to the single digit range will be met by substantial corporate financial stress. Thus, a true inflationary crisis does exist.

## Policy Alternatives to Meet the Crisis

Obviously, the President's budget, which included expenditures increases of 14.5% for FY 1980 and 9.6% for FY 1981 was not well received. Not only did the expenditures increases for 1980 indicate substantial near term borrowing costs and increases in aggregate demand, but the continuation of phased decontrol of domestic oil coupled with the Windfall Profits Tax and the absence of any correction to the rapid increases in social security taxes scheduled for January 1, 1981 indicated that significant increases in administered inflationary pressures were being proposed.

Of course, the Administration expected that a recession already had begun. Current indicators definitely suggest that real GNP continued to advance in January. Although problems in seasonal adjustment techniques may be responsible for these healthy measures of increased economic activity, the recession certainly has not yet begun. Thus, the underlying economic assumptions on which the budget was based already appear to be faulty.

Some of the policy options available to the Administration under the circumstances are the following: First, intensify the price monitoring mechanism in the voluntary program. Second, reduce the beneficial interpretation of the cost of living clauses in existing contracts. To the extent that the CPI overstates inflationary pressures near inflationary peaks, cost of living clauses intensify inflationary pressures.

Third, change the cost of living formulas for all indexed expenditures in the Federal Government. Fourth, reduce the federal support for state and local governments through reductions in general revenue sharing and through reductions in categorical grant programs. Fifth, announce a rollback of social security taxes that are scheduled to increase January 1, 1981. Sixth, use credit controls to restrain the growth of economic activity in the private sector.

The Administration has two basic options for utilizing credit controls at this time. First, the Federal Reserve can reinstitute regulation W, which controls the minimum down payment required for purchases of consumer durables and housing and which also restricts the maximum months of payment for such contracts. This program would significantly reduce economic activity in consumer durables and housing activities. Since housing sales already are at a decade low of 594,000 in December, such a program would increase economic imbalance rather than moderate underlying inflationary pressures. Second, the regulatory agencies of the federal government could use the credit adequacy rule to limit the total growth of liabilities at lending institutions. Such a program would significantly restrain credit and would impact all lending institutions independent of their membership in the Federal Reserve or other organizations. There is an issue as to whether this particular program would be permissible under current regulatory authority.

Obviously, none of the above options appears to be sufficiently broad to attack the basic problems. For that reason, the Administration clearly is seeking alternative approaches.

Monthly Highlights
February 1980

Note: These estimates differ from the values contained under the forecast column for the various components. In order to be as timely as possible, these estimates incorporate all the available information.

Payroll employment, -125,000; hours worked, -0.3%; unemployment, 6.2%; personal income, +0.7%; disposable income, +0.6%; retail sales, -0.2%; auto sales, 10.8 million; industrial production, -0.2%; housing starts, -6.2%; housing permits; -5.5%; construction expenditures, -2.1%; durable goods orders, +1.8%; orders for nondefense capital goods, +2.5%; business inventories, +1.4%; CPI, +1.3%; PPI, +1.3%; merchandise trade deficit, (old bases) -$3.05 billion; leading indicators, -0.2%; M1-B, 9.8%, M2, +10.3%.

Current Profile of GNP

| | % Change 1980-1 | % Change 1980-2 | % Change 1980-3 | % Change 1980-4 |
|---|---|---|---|---|
| Change in Real Output | +2.1 | +0.5 | -2.7 | -2.6 |
| Price Deflator | 10.8 | 10.5 | 8.9 | 9.3 |
| Nominal GNP | 13.1 | 11.2 | 6.3 | 5.6 |

## Commentary

### Employment

Unusual weather conditions in recent January's may have distorted the estimates of payroll employment. Because many people who were not working because of inclement weather conditions may have believed themselves to be in the work force, especially in construction, such seasonal problems are less intense in household employment. For that reason, the 305,000 increase in payroll employment in January is less indicative of true labor market conditions than the 108,000 reduction in household employment. Moreover, the decline in employment appeared to be heavily concentrated in male head of households, a category that traditionally does not fluctuate very much because of survey errors. Therefore, substantial decreases in payroll employment are anticipated for February even as household employment may show a rise and unemployment may decline slightly.

More significantly, the hourly earnings index currently is only 7.7% above previous year levels. One of the reasons for this modest rate of increase is the smaller magnitude of minimum wage impact in this January. However, seasonal factors also may be at work here. For that reason, an explosion in wage gains coupled by a significant increase in personal income may occur in February despite relatively modest changes in employment conditions.

### Personal Income and Outlays

Aside from the large increase in wage and salary earnings anticipated for February, personal income should be significantly increased by gains in interest income. A partial offset to this rise will be the absence of any further credits for energy consumption or the earned income tax credit. More significantly, disposable income was increased by $10 billion in January as a result of anticipations of increased tax refunds during this tax paying period. Personal savings probably were not as robust as even the $50.7 billion recorded in January.

### Construction

In December, single family housing sales fell to 594,000, the lowest in more than a decade. The figures do not show any significant increase in inventory. However, if current housing starts of 1.42 million continued, substantial increases in inventories of single family units could develop in the next few months. As credit market conditions have deteriorated even further since the February forecast was made, housing starts apparently will decline almost 200,000 more than previously anticipated. For that reason, a starts figure of not much more than 1.15 million for 1980 appears to be appropriate.

Construction expenditures are continuing to rise, but this also may be the result of unusual seasonal characteristics. By March, a definite downtrend in construction should be apparent. Moreover, the influence of reduced price pressures in construction probably will not continue. For example, the implicit construction deflator increased at an annual rate of only 6% between September and December 1979. This is one of the reasons why the GNP deflator has been much more moderate in measuring inflationary pressures than the more popular indicies.

## Financial Markets

The explosion of industrial prices obviously has sharply increased the IVA component of inventory investment. Even with little change in the physical stock of inventories, this rapid increase in valuation factors necessitates a dramatic increase in commercial loans. Whether the recent explosion of inflationary pressures was caused by previous monetary excesses remains for historians to debate. At this time, however, the explosion of prices appears to predate the acceleration in monetary aggregates. After the October shift in monetary policy slowed the growth of the monetary base in November, gradual acceleration began to develop by December. In December, the base rose at an annual rate of 8.1%. In January, the base increased 11.5% at annual rates, while the gain for February appears to be exceeding 12%. The latest estimates for money available for transactions purposes, M1-B did not show the same growth. That measure already had moderated in October and only began to grow at a 4.5% annual rate in November. The December growth of 7.7% was worrisome, but the growth rate moderated again in January. Unfortunately, it is now clear that rapid gains in the monetary base during previous months are catching up with M1-B. A monetary explosion is developing in February, despite changes in the discount rate and other credit tightening moves by the Federal Reserve. This clearly suggests that more direct and open control of credit conditions may prove to be desirable.

Given the current climate of rapidly accelerating inflation, increased risk in the bond market, and rumors about possible credit controls, the forecasted values for interest rates already appear to be inappropriately low. While a dramatic shift in policy could cause those markets to peak, credit market pressures are still intense. As a result, corporate Aaa rates may pierce 13% in March while the prime rate could approach 18%. If no dramatic action is forthcoming from the Administration, interest rates should peak late in March or early in April. The collapse of construction activity probably will lead to that conclusion. However, dramatic policy changes could come as soon as Friday, March 7, following the employment and Producer's Price Index reports.

## Stock Market

Initially, the increased risk developing in the fixed income markets proved to be beneficial to investors in the stock market. However, any policy shift that is designed to significantly reduce inflationary pressures probably will also intensify the near-term likelihood of an economic correction. Since interest rates tend to lag changes in inflationary pressures, this suggests that real rates of interest could become dramatically positive by summer. Under these circumstances, a significant correction in equity values cannot be ruled out. Indeed, a decline in values below the 800 level on the Dow Jones average would coincide with this outlook.

EMPLOYMENT

| | Payroll Employment | | Index of Hours Worked | | Household Employment | | Unemployment Rate | | Hourly Earnings Index | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September 1979 | 89803 | 89803 | 125.9 | 125.9 | 97504 | 97504 | 5.8 | 5.8 | 234.3 | 234.3 |
| October | 89982 | 89982 | 125.8 | 125.8 | 97474 | 97474 | 5.9 | 5.9 | 234.9 | 234.9 |
| November | 90100 | 90100 | 126.3 | 126.3 | 97608 | 97608 | 5.8 | 5.8 | 237.3 | 237.3 |
| December | 90231 | 90231 | 126.7 | 126.7 | 97912 | 97912 | 5.9 | 5.9 | 239.3 | 239.3 |
| January | 90536 | 90536 | 126.7 | 126.7 | 97804 | 97804 | 6.2 | 6.2 | 239.8 | 239.8 |
| February | 90602 | N.C. | 126.9 | N.C. | 97918 | N.C. | 6.3 | N.C. | 241.5 | N.C. |
| March | 90668 | | 127.0 | | 98032 | | 6.3 | | 243.2 | |
| April | 90875 | | 126.8 | | 98305 | | 6.2 | | 245.3 | |
| May | 90878 | | 126.6 | | 98408 | | 6.3 | | 246.8 | |
| June | 90881 | | 126.4 | | 98511 | | 6.4 | | 248.4 | |
| July | 90915 | | 126.5 | | 98543 | | 6.4 | | 250.0 | |
| August | 90973 | | 126.5 | | 98576 | | 6.5 | | 251.9 | |
| September | 91031 | | 126.5 | | 98609 | | 6.6 | | 253.8 | |
| October | 91055 | | 126.5 | | 98653 | | 6.7 | | 255.0 | |
| November | 91086 | | 126.5 | | 98722 | | 6.7 | | 257.2 | |
| December, 1980 | 91117 | | 126.6 | | 98791 | | 6.8 | | 258.9 | |

PERSONAL INCOME

| | Personal Income | | Wage & Salary | | Personal Savings | | Disposable Income | | Personal Outlays | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 1.960 | 1.960 | 1.248 | 1.248 | 51.0 | 51.0 | 1.648 | 1.648 | 1.597 | 1.597 |
| October | 1.979 | 1.981 | 1.257 | 1.257 | 61.9 | 62.5 | 1.663 | 1.665 | 1.601 | 1.603 |
| November | 2.000 | 2.004 | 1.271 | 1.271 | 60.9 | 59.2 | 1.678 | 1.682 | 1.618 | 1.622 |
| December | 2.023 | 2.024 | 1.282 | 1.283 | 44.9 | 50.6 | 1.695 | 1.696 | 1.650 | 1.646 |
| January | 2.036 | 2.036 | 1.290 | 1.289 | 48.3 | 50.7 | 1.714 | 1.716 | 1.666 | 1.666 |
| February | 2.055 | N.C. | 1.301 | N.C. | 51.9 | N.C. | 1.729 | N.C. | 1.677 | N.C. |
| March | 2.073 | | 1.311 | | 53.5 | | 1.743 | | 1.690 | |
| April | 2.090 | | 1.320 | | 56.0 | | 1.756 | | 1.700 | |
| May | 2.107 | | 1.326 | | 57.6 | | 1.769 | | 1.711 | |
| June | 2.122 | | 1.332 | | 59.2 | | 1.781 | | 1.722 | |
| July | 2.153 | | 1.341 | | 70.5 | | 1.808 | | 1.738 | |
| August | 2.171 | | 1.351 | | 66.3 | | 1.822 | | 1.755 | |
| September | 2.189 | | 1.361 | | 62.9 | | 1.835 | | 1.772 | |
| October | 2.209 | | 1.378 | | 67.3 | | 1.849 | | 1.782 | |
| November | 2.222 | | 1.383 | | 64.3 | | 1.860 | | 1.796 | |
| December, 1980 | 2.236 | | 1.390 | | 64.3 | | 1.871 | | 1.807 | |

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

## RETAIL SALES

| | Retail Sales | | Non Auto Durables | | Auto (Million Units) | | Nondurable Sales | | Auto Sales | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 76.93 | 76.93 | 11.59 | 11.59 | 10.8 | 10.8 | 49.96 | 49.96 | 15.38 | 15.38 |
| October | 75.61 | 75.61 | 11.45 | 11.45 | 9.4 | 9.4 | 50.14 | 50.14 | 14.02 | 14.02 |
| November | 76.18 | 76.43 | 11.23 | 11.23 | 9.6 | 9.6 | 50.93 | 51.58 | 14.02 | 14.06 |
| December | 77.02 | 76.81 | 11.40 | 11.42 | 10.5 | 10.5 | 51.36 | 51.13 | 14.26 | 14.27 |
| January | 78.18 | 78.55 | 11.60 | 11.64 | 11.5 | 11.6 | 51.78 | 51.94 | 14.80 | 14.96 |
| February | 78.35 | N.C. | 11.58 | N.C. | 10.5 | N.C. | 52.12 | N.C. | 14.65 | N.C. |
| March | 78.69 | | 11.59 | | 9.5 | | 52.63 | | 14.47 | |
| April | 78.89 | | 11.63 | | 9.3 | | 53.03 | | 14.23 | |
| May | 79.10 | | 11.64 | | 9.2 | | 53.44 | | 14.02 | |
| June | 79.39 | | 11.66 | | 9.2 | | 53.92 | | 13.81 | |
| July | 80.04 | | 11.69 | | 9.2 | | 54.48 | | 13.87 | |
| August | 80.75 | | 11.86 | | 9.2 | | 54.95 | | 13.94 | |
| September | 81.48 | | 11.88 | | 9.2 | | 55.46 | | 14.14 | |
| October | 81.74 | | 11.80 | | 9.0 | | 55.93 | | 14.01 | |
| November | 82.36 | | 11.90 | | 9.1 | | 56.31 | | 14.15 | |
| December, 1980 | 82.67 | | 11.91 | | 9.0 | | 56.65 | | 14.11 | |

## INDUSTRIAL PRODUCTION

| | Industrial Production | | Capacity Utilization | |
|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 152.4 | 152.4 | 85.1 | 85.1 |
| October | 152.3 | 152.2 | 84.9 | 84.9 |
| November | 151.8 | 152.1 | 84.4 | 84.6 |
| December | 152.2 | 152.3 | 84.4 | 84.3 |
| January | 152.2 | 152.7 | 84.2 | 84.3 |
| February | 152.4 | N.C. | 84.1 | N.C. |
| March | 152.3 | | 83.8 | |
| April | 151.3 | | 83.0 | |
| May | 150.1 | | 81.8 | |
| June | 149.3 | | 81.0 | |
| July | 149.0 | | 80.6 | |
| August | 148.8 | | 80.3 | |
| September | 148.5 | | 80.0 | |
| October | 148.3 | | 79.7 | |
| November | 148.0 | | 79.3 | |
| December, 1980 | 147.8 | | 79.1 | |

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

HOUSING

| | Housing Starts | | Single Family Starts | | Housing Permits | | Construction Expenditures (Current) | | Construction Expenditures (Real) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 1.921 | 1.874 | 1.254 | 1.237 | 1.775 | 1.775 | 232.6 | 232.6 | 114.1 | 114.1 |
| October | 1.762 | 1.710 | 1.161 | 1.139 | 1.542 | 1.542 | 238.4 | 238.4 | 115.8 | 115.8 |
| November | 1.522 | 1.522 | 0.966 | 0.980 | 1.263 | 1.263 | 237.4 | 237.4 | 114.7 | 114.7 |
| December | 1.527 | 1.517 | 0.972 | 1.036 | 1.204 | 1.204 | 239.6 | 239.6 | 115.8 | 115.8 |
| January | 1.473 | 1.420 | 0.963 | 0.998 | 1.210 | 1.225 | 239.8 | N.C. | 114.9 | N.C. |
| February | 1.451 | N.C. | 0.936 | N.C. | 1.194 | N.C. | 238.9 | | 113.3 | |
| March | 1.429 | | 0.909 | | 1.183 | | 238.0 | | 111.8 | |
| April | 1.306 | | 0.852 | | 1.062 | | 235.8 | | 110.1 | |
| May | 1.249 | | 0.786 | | 1.006 | | 234.7 | | 109.0 | |
| June | 1.258 | | 0.720 | | 1.022 | | 233.6 | | 107.9 | |
| July | 1.286 | | 0.783 | | 1.057 | | 234.1 | | 107.3 | |
| August | 1.331 | | 0.838 | | 1.116 | | 234.7 | | 106.6 | |
| September | 1.415 | | 0.893 | | 1.186 | | 235.3 | | 106.0 | |
| October | 1.389 | | 0.862 | | 1.174 | | 237.0 | | 106.2 | |
| November | 1.420 | | 0.889 | | 1.201 | | 239.2 | | 106.5 | |
| December, 1980 | 1.451 | | 0.916 | | 1.235 | | 241.4 | | 106.8 | |

HOUSING CONTINUED

| | Private Non Residential | | Public Construciton | | Residential Construction | |
|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 82.6 | 82.6 | 50.9 | 50.9 | 99.0 | 99.0 |
| October | 86.3 | 86.3 | 52.9 | 52.9 | 99.2 | 99.2 |
| November | 86.4 | 86.4 | 51.9 | 51.9 | 99.1 | 99.1 |
| December | 88.6 | 88.6 | 51.2 | 51.2 | 99.8 | 99.8 |
| January | 88.7 | N.C. | 51.8 | N.C. | 99.3 | N.C. |
| February | 88.8 | | 52.5 | | 97.6 | |
| March | 88.9 | | 53.2 | | 95.9 | |
| April | 90.6 | | 53.1 | | 92.1 | |
| May | 91.4 | | 53.6 | | 89.7 | |
| June | 92.2 | | 54.1 | | 87.3 | |
| July | 93.0 | | 54.5 | | 86.6 | |
| August | 93.4 | | 54.8 | | 86.5 | |
| September | 93.8 | | 55.1 | | 86.4 | |
| October | 94.5 | | 55.6 | | 86.9 | |
| November | 95.3 | | 56.0 | | 87.9 | |
| December, 1980 | 96.1 | | 56.4 | | 88.9 | |

Fore. = February Forecast
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N. C. = No Change Computed

BUSINESS ACTIVITY

| | Manufacturers Inventories | | Durable Foods Orders | | Non-defense Capital Goods Orders | | Non-defense Capital Shipments | |
|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September 1979 | 221.4 | 221.4 | 77.56 | 77.56 | 21.82 | 21.82 | 20.02 | 20.02 |
| October | 223.5 | 223.5 | 76.40 | 76.66 | 20.78 | 21.00 | 20.02 | 20.10 |
| November | 226.2 | 226.2 | 75.42 | 75.42 | 21.42 | 21.42 | 19.60 | 19.60 |
| December | 228.1 | 228.1 | 76.67 | 77.75 | 22.77 | 22.86 | 20.17 | 20.22 |
| January | 230.3 | N.C. | 78.43 | 81.08 | 22.95 | 23.14 | 20.21 | 21.54 |
| February | 232.7 | | 76.13 | N.C. | 21.63 | N.C. | 20.26 | N.C. |
| March | 235.3 | | 75.87 | | 21.42 | | 20.31 | |
| April | 238.1 | | 75.26 | | 21.09 | | 20.53 | |
| May | 240.4 | | 76.12 | | 21.15 | | 20.73 | |
| June | 242.7 | | 76.85 | | 21.27 | | 20.93 | |
| July | 245.0 | | 77.71 | | 21.53 | | 21.15 | |
| August | 246.9 | | 80.15 | | 23.41 | | 21.07 | |
| September | 248.6 | | 79.92 | | 22.28 | | 20.99 | |
| October | 249.7 | | 80.68 | | 22.73 | | 21.18 | |
| November | 251.4 | | 81.21 | | 23.15 | | 21.37 | |
| December, 1980 | 253.0 | | 81.59 | | 23.39 | | 21.56 | |

| | Business Inventories | | Defense Shipments | |
|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 417.3 | 417.3 | 2.93 | 2.93 |
| October | 421.1 | 421.2 | 3.01 | 3.01 |
| November | 424.2 | 424.4 | 3.14 | 3.14 |
| December | 427.9 | 426.3 | 3.23 | 3.18 |
| January | 431.5 | N.C. | 3.24 | 3.34 |
| February | 435.3 | | 3.25 | N.C. |
| March | 439.8 | | 3.26 | |
| April | 444.2 | | 3.32 | |
| May | 447.9 | | 3.38 | |
| June | 452.7 | | 3.44 | |
| July | 455.3 | | 3.47 | |
| August | 458.8 | | 3.51 | |
| September | 462.9 | | 3.55 | |
| October | 464.9 | | 3.60 | |
| November | 468.3 | | 3.65 | |
| December, 1980 | 471.7 | | 3.70 | |

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

FINANCIAL MARKETS

| Monetary | Base | | MI-B | | M2 | | Federal Funds | | T-Bills (6 Mos.) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore | C. E. | Fore. | C. E. |
| September, 1979 | 151.0 | 151.0 | N.C. | 383.2 | N.C. | 1499.7 | 11.43 | 11.43 | 10.18 | 10.18 |
| October | 152.5 | 152.5 | | 383.9 | | 1507.2 | 13.77 | 13.77 | 11.47 | 11.47 |
| November | 152.7 | 152.7 | | 385.3 | | 1514.5 | 13.18 | 13.18 | 11.87 | 11.87 |
| December | 153.7 | 153.7 | | 387.7 | | 1523.9 | 13.78 | 13.78 | 12.07 | 12.07 |
| January | 155.1 | 155.1 | | 389.1 | | 1532.5 | 14.02 | 13.92 | 12.20 | 11.85 |
| February | 155.7 | N.C. | | 390.8 | | 1542.3 | 14.39 | N.C. | 12.39 | N.C. |
| March | 156.3 | | | 392.3 | | 1551.3 | 14.76 | | 12.58 | |
| April | 157.6 | | | 395.3 | | 1564.7 | 14.65 | | 12.55 | |
| May | 158.8 | | | 397.8 | | 1577.7 | 14.61 | | 12.51 | |
| June | 159.7 | | | 399.6 | | 1588.0 | 14.57 | | 12.47 | |
| July | 160.6 | | | 401.5 | | 1598.7 | 13.49 | | 11.53 | |
| August | 161.6 | | | 404.0 | | 1611.9 | 12.64 | | 10.95 | |
| September | 162.5 | | | 405.9 | | 1622.7 | 11.79 | | 10.37 | |
| October | 163.5 | | | 407.9 | | 1633.9 | 11.36 | | 10.16 | |
| November | 164.5 | | | 410.4 | | 1647.2 | 11.05 | | 10.09 | |
| December, 1980 | 165.4 | | | 411.8 | | 1657.8 | 10.69 | | 10.02 | |

| | Aaa (Seasoned) | | Municipals | | Commercial Paper | | 90 Day CD's | | Prime Rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. | Fore. | C. E. |
| September, 1979 | 9.44 | 9.44 | 6.52 | 6.52 | 11.58 | 11.58 | 11.79 | 11.79 | 12.90 | 12.90 |
| October | 10.13 | 10.13 | 7.08 | 7.08 | 13.09 | 13.09 | 13.53 | 13.53 | 14.39 | 14.39 |
| November | 10.76 | 10.76 | 7.30 | 7.30 | 13.62 | 13.62 | 14.00 | 14.00 | 15.55 | 15.55 |
| December | 10.74 | 10.74 | 7.22 | 7.22 | 13.17 | 13.17 | 13.43 | 13.43 | 15.30 | 15.30 |
| January | 11.21 | 11.09 | 7.51 | 7.31 | 13.63 | 12.91 | 13.92 | 13.40 | 15.45 | 15.25 |
| February | 11.77 | N.C. | 7.89 | N.C. | 14.05 | N.C. | 14.29 | N.C. | 15.93 | N.C. |
| March | 12.33 | | 8.32 | | 14.53 | | 14.72 | | 16.12 | |
| April | 12.05 | | 8.07 | | 14.62 | | 14.91 | | 16.38 | |
| May | 11.92 | | 7.96 | | 14.60 | | 14.85 | | 16.35 | |
| June | 11.79 | | 7.90 | | 14.58 | | 14.72 | | 16.21 | |
| July | 11.63 | | 7.73 | | 13.74 | | 13.99 | | 15.45 | |
| August | 11.47 | | 7.59 | | 12.91 | | 13.11 | | 14.72 | |
| September | 11.31 | | 7.47 | | 12.03 | | 12.36 | | 14.02 | |
| October | 11.15 | | 7.36 | | 11.55 | | 11.84 | | 13.25 | |
| November | 11.05 | | 7.29 | | 11.26 | | 11.49 | | 13.03 | |
| December, 1980 | 10.95 | | 7.17 | | 10.82 | | 11.09 | | 12.42 | |

Fore. = February Forecast
C. E. = Current Expectation
N. C. = No Change Computed